



2021 Individual Income and Business Tax Form Updates

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This document summarizes the changes made to 2021 Minnesota Individual Income Tax and business tax forms.

2021 Business Tax Form Changes

General Updates

- Created a new Schedule PTE, Pass-through Entity Tax.
 - Refundable tax credit from Schedule PTE added to Forms M1 and M2, as well as Schedules KPI, KS, and KF.
- Created a new Schedule M3BBA, Partnership Audit Report, to be filed with Form M3X.
- Added new lines on business and fiduciary M-series forms and K-series schedules for a new nonrefundable tax credit for film production expenses.
- Forms no longer include the Section 179 addition. This addition is not required for tax years 2020 or later.
 - Subtraction modification will remain on forms until the last 1/5th subtraction is used up.
- Brought back these schedules because current Minnesota law does not adopt some federal laws enacted after December 31, 2018:
 - Schedule M4NC, Federal Adjustments
 - Schedule M2NC, Federal Adjustments
 - Schedule M2SBNC, Federal Adjustments
 - Schedule KFNC, Federal Adjustments
 - Schedule KSNC, Federal Adjustments
 - Schedule KPINC, Federal Adjustments
 - Schedule KPCNC, Federal Adjustments
- Included “intentionally left blank” lines on forms and schedules.

Schedule M4NC, Federal Adjustments

- Changed line 1 to include allocation of interest on a worldwide basis.
 - This provision is specific to C corporations and is not included on other nonconformity schedules.

Form M2, Income Tax Return for Estates and Trusts

- Added line 19 for the Minnesota Credit for Increasing Research Activities (R&D Credit).
 - This was previously included with the “other nonrefundable credits” line.

Form M2X, Amended Income Tax Return for Estates and Trusts

- Added line 19 for the Minnesota Credit for Increasing Research Activities (R&D Credit).
 - This was previously included with the “other nonrefundable credits” line.

Form M3, Partnership Return

- Added a checkbox to mark if an entity is making the Pass-through Entity Tax election.
- Added new line 2 to report the amount of Pass-through Entity Tax from Schedule PTE.

Form M3X, Amended Partnership Return

- Added a checkbox to indicate if a partnership is making the Partnership Pays election on Schedule M3BBA.
- Expanded the Amended Federal Return checkbox to include federal Administrative Adjustment Requests (AAR).
- Expanded the IRS Adjustment checkbox to enter the Final Determination Date.
- Added new line 2 to report the amount of Pass-through Entity Tax from Schedule PTE.
- Added new line 5 to report the amount of tax calculation on Schedule M3BBA.

Form M4, Corporate Franchise Tax Return

- Added a new checkbox if a member of the combined group owns a captive insurance company.
- Added a new last-in, first-out (LIFO) recapture tax deferral on line 22 of Form M4T, Tax Calculation.
- Line 2 changed orientation and slightly reduced size of loon.
- Line 12 Page reference changed from Page 6 to Pages 6 and 7.
- Enlarged slashes at top of form in date fields to 12 pt. and removed comma.

Form M4X, Amended Franchise Tax Return/Claim for Refund

- Added a new checkbox if a member of the combined group owns a captive insurance company.
- Reorganized the checkboxes at the top of the form.
- Removed two “yes or no” questions, incorporating them into the checkboxes.
- Added a new last-in, first-out (LIFO) recapture tax deferral on line 23.
- Lines 30-33 updated line references.
- Enlarged slashes at top of form in date fields to 12 pt.

Form M4I, Income Calculation

- Page 2 top subhead sentence, page 10 changed to page 9.

- Line 4c instructions changed in parenthesis.

Form M4A, Apportionment/Fee Calculation

- Minimum Fee (Line 10) see instructions page 10 changed to 13, and 13 to 14.

Form M4T, Tax Calculation

- Lines 4a and 4b updated text to “pg. 15: attach”.

Form M15C, Additional Charge for Underpayment of Estimated Tax

- Line 17 line reference 13 changed to 14.

Form M3X, Amended Partnership Return

- Checkbox Amended Federal Return added “AAR”.

Form M3, Partnership Return

- Checkbox Out of Business changed to Final Return.
- Enlarged slashes in date fields and removed comma.
- Lines 1, 15, 16, 19 updated page references.

Form M3A, Apportionment and Minimum Fee

- Minimum Fee Table Added “or more”.
- Subhead line reference 6 changed to 8.
- Line 7 page reference 7 changed to 9.

Schedule KPINC, Federal Adjustments

- Line 31 added line reference to right of line.

Schedule KPI, Partner’s Share of Income, Credits and Modifications

- Added the pass-through entity credit to line 30.
 - Added a checkbox to indicate if PTE tax filing and payment will satisfy the owner’s filing requirement.
- Page 1 subhead added, “or all partners if the partnership is electing PTE tax”.
- Line 50 line reference to right of the line changed.

Form M3BBA, Partnership Audit Report

- Page 1 removed comma between dates at top and enlarged slashes.
- Page 3 added column headers A,B,C,D,E.

- Page 3 added Partnership's Name, Federal ID Number, MN Tax ID Number.
- Page 4 changed Name of Appointee to Name of Designee.

Form M8, S Corporation Return

- Added a checkbox to mark if an entity is making the Pass-through Entity Tax election.
- Added new line 3 to report the amount of pass-through entity tax from Schedule PTE.
- Enlarged slashes in date fields to 12 pt. and removed comma.
- Checkbox changed to Final Return.
- Line 12 changed orientation and slightly reduced size of loon.
- Lines 2, 18, 19 updated page references.

Form M8X, Amended Partnership Return

- Added new line 3 to report the amount of Pass-through Entity Tax from Schedule PTE.
- Enlarged slashes in date fields to 12 pt. and removed comma.

Form KS, Shareholder's Share of Income, Credits and Modifications

- Top sentence under checkboxes "nonresident partners" changed to "shareholders" and "shareholders if the S-corporation".
- Subhead updated text "credits, or all partners if the partnership is electing PTE tax".

Schedule KSNC, Federal Adjustments

- Line 31 added line references to right of line.

Schedule PTE, Pass-through Entity Tax

- Line 13 obligation changed to requirement.
- Line 22 added instructions in parenthesis.
- Page 2 fourth column: obligation changed to requirement.

Schedule KPI, Partner's Share of Income, Credits and Modifications

- Added the pass-through entity credit to line 30
 - Added a checkbox to indicate if PTE tax filing and payment will satisfy the owner's filing requirement.
- Page 1 subhead added, "or all partners if the partnership is electing PTE tax".
- Line 50 line reference to right of line changed.

Schedule M706Q, Election to Claim the Qualified Small Business and Farm Property Deduction

- Added lines 4 through 7 to Part 7.

2021 Individual Income Tax Form Changes

General Updates

- Created a new Schedule M1MB, Business Income Additions and Subtractions. Includes modifications for individuals who have ownership interest in a business.
- Created a new Schedule M1LOSS, Minnesota Limitation of Business Losses.
- Adjustments may be required on Schedule M1NC, Federal Adjustments, since current Minnesota law does not conform to several federal laws enacted after December 31, 2018.
- Forms no longer include the Section 179 addition. This addition is not required for tax years 2020 or later.
 - Subtraction modification will remain on forms until the last 1/5th subtraction is used up.
- Included “intentionally left blank” lines on forms and schedules. This allows more flexibility if additional state or federal tax law changes impact tax year 2021.

Form M1, Individual Income Tax

- Updated the standard deduction amounts for 2021.
- Updated the standard deduction and itemized deduction limitations for 2021.

Schedule M1M, Income Additions and Subtractions

- Moved several lines to the new Schedule M1MB, Business Income Additions and Subtractions.
- Added line 24 for the new volunteer mileage reimbursement subtraction.

Schedule M1MT, Alternative Minimum Tax

- Added nonconformity adjustments to line 3.

Schedule M1NR, Nonresidents/Part-Year Residents

- Replaced line 11 (formerly the Section 179 addition) with a calculation for qualifying owners of a business who elect to pay Pass-through Entity Tax.

Schedule M1C, Other Nonrefundable Credits

- Added line 11 for a new nonrefundable tax credit for film production expenses.

Schedule M1REF, Refundable Credits

- Added line 8 for the Angel Investment Credit returning in tax year 2021.
- Added line 9 for the new Pass-through Entity Tax Credit.
- Added line 10 for a claim of right.
 - This is not a new credit but was added for administrative purposes.

Schedule M1CD, Child and Dependent Care Credit

- Separated the schedule into four parts.
 - If a taxpayer did not receive dependent care benefits, they must complete only parts 1 and 2.
 - If a taxpayer received dependent care benefits, they must complete parts 1 through 4.

Schedule M1WFC, Working Family Credit

- Age of eligibility lowered to 19 (from 21) for taxpayers with no qualifying children.
- Adjusted the income limits for inflation.

Schedule M1NC, Federal Adjustments

- Changes throughout the schedule.
 - Each line describes provisions of federal tax laws enacted after December 31, 2018, that Minnesota law does not conform to.
- Added lines 13a, 13b, 14a, and 14b, which calculate other amounts on Form M1 and determine carryover amounts to other tax years.

Form M1PR, Homestead Credit Refund (for Homeowners) and Renter's Property Tax Refund

- Veterans' disability compensation is now excluded when determining household income.
- Paycheck Protection Program (PPP) loans must be included as nontaxable income on Schedule M1PR-AI.
- Updated line 10 to exclude certain COVID-19-related retirement plan distributions during 2020 when individuals chose to include it in income over three years.